

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 04 ROME 000250

SIPDIS

DEPT FOR EB/CIP, EUR/WE
COMMERCE FOR SPECK
FCC FOR ABERNATHY
JUSTICE FOR WILNER

E.O. 12958: N/A

TAGS: [ECPS](#) [ETRD](#) [IT](#) [EUN](#)

SUBJECT: SCENE-SETTER U.S-ITALY COMMUNICATIONS BILATERAL
MARCH 6-7, 2003

REF: A) 2002 ROME 05535, B) 2002 ROME 06097, C) 2002

ROME 06018 D) DOHERTY/FINTON TELECONS/E-MAILS E) 2002
MILAN 262

1. THE FOLLOWING REPORT IS INTENDED AS AN OVERVIEW OF
RECENT DEVELOPMENTS IN ITALY'S COMMUNICATIONS SECTOR TO
HELP WASHINGTON AGENCIES PREPARE FOR MARCH 6-7, 2003
BILATERAL MEETINGS IN ROME.

2. SUMMARY. ITALY HAS ONE OF THE LARGEST AND MOST
DEVELOPED COMMUNICATIONS MOBILE AND FIXED LINE MARKETS
IN THE WORLD. THE GOVERNMENT HAS LIBERALIZED THE
COMMUNICATIONS MARKET, HAS IMPLEMENTED EU-RELATED
DIRECTIVES AND IS GENERALLY CONSIDERED AMONG THE MORE
OPEN WITHIN THE EU IN COMMUNICATIONS POLICY. RECENTLY,
HOWEVER, GOVERNMENT INTERVENTION IN THE MARKET HAS BEEN
INCREASING. ON THE REGULATORY SIDE, THE COMPLEX LAYERS
OF LEGISLATION (EU, NATIONAL AND REGIONAL) ARE CAUSING
PROBLEMS FOR COMMUNICATIONS COMPANIES.

3. ITALY HAS AWARDED 3G (UMTS) LICENSES, BUT COMMERCIAL
APPLICATIONS OF 3G OPERATIONS ARE NOT EXPECTED SOON.
INTERNET USE IS GROWING, BUT COMMERCIAL USE, BOTH B2B
AND B2C, IS NOT AT THE LEVEL OF OTHER EUROPEAN
ECONOMIES. ITALY HAS AN AMBITIOUS STRATEGY TO BRING
BROADBAND TO ALL PARTS OF THE GOVERNMENT BY THE END OF
2005. END SUMMARY.

A LIBERALIZED MARKET, BUT STILL WITH PROBLEMS

4. OVER THE LAST DECADE, ITALY HAS LIBERALIZED ITS
COMMUNICATIONS POLICIES AND IMPLEMENTED RELATED EU
DIRECTIVES IN A PRO-MARKET MANNER. OUR SECTOR CONTACTS
MAINTAIN THAT AFTER THE UK, ITALY HAS THE MOST OPEN
COMMUNICATIONS MARKET IN THE EU. SOME NOTABLE SIGNS OF
PROGRESS: TARIFFS ARE MORE ALIGNED WITH COSTS, IN
PARTICULAR REGARDING LEASED LINES; INTERCONNECTION
CHARGES REMAIN BELOW EU AVERAGE; THERE IS AN ESTABLISHED
REGULATORY REGIME REGARDING LOCAL LOOP UNBUNDLING;
CARRIER PRE-SELECTION IS POPULAR AND WIDESPREAD; AND
NUMBER PORTABILITY, ALTHOUGH DELAYED FROM THE MAY 2002
TARGET, IS SOON TO OCCUR.

5. DESPITE THESE POSITIVE DEVELOPMENTS, PROBLEMS
CLEARLY REMAIN. MOBILE TERMINATION RATES, FIXED TO
MOBILE IN PARTICULAR, REMAIN AMONG THE HIGHEST IN EUROPE
WITH LITTLE TRANSPARENCY REGARDING COST STRUCTURE FOR
CONSUMERS. IN ADDITION, SOME NEW MARKET ENTRANTS ARE
CONCERNED WITH TELECOM ITALIA'S (THE FORMER INCUMBENT)
DELAYS AND LACK OF TRANSPARENCY WITH PROCEDURES IN
ALLOWING INTERCONNECTION AND LOCAL LOOP ACCESS. RIGHTS
OF WAY REMAIN A BOTTLENECK TO DEVELOPMENT OF ALTERNATIVE
INFRASTRUCTURE, ALTHOUGH PROBLEMS SEEM TO BE PRIMARILY
AT THE LOCAL LEVEL.

AND NEW COMPLEXITIES EMERGE

6. ONE EMERGING ISSUE CONCERNS THE GROWING LEGAL
COMPLEXITY OF THE ITALIAN MARKET. WITH A 2001 LAW, THE
CENTRAL GOVERNMENT HAS DEVOLVED SEVERAL POWERS TO
ITALY'S 20 ADMINISTRATIVE REGIONS. COMPANIES NOW HAVE TO
TAKE INTO ACCOUNT REGIONAL LAWS IN ADDITION TO EU
DIRECTIVES AND NATIONAL LEGISLATION. WHILE REGIONS DO
NOT HAVE AUTHORITY IN THE FIELD OF COMMUNICATIONS, THEY
DO LEGISLATE ON ENVIRONMENTAL ISSUES, WHICH OFTEN HAVE
AN IMPACT ON COMMUNICATIONS AND INFRASTRUCTURE
DEVELOPMENT. ONE EXAMPLE PROVIDED BY A U.S. COMPANY IS
THAT OF THE NEWLY IMPOSED REGIONAL LIMITS ON ELECTRONIC
MAGNETIC TRANSMISSION. MOST REGIONS ARE ADOPTING
STANDARDS THAT ARE SIGNIFICANTLY LOWER THAN THE EU
CEILING. MOREOVER, EACH REGION IMPOSES DIFFERENT
LIMITATIONS, MAKING IT DIFFICULT FOR COMPANIES TO
DEVELOP COUNTRY-WIDE STRATEGIES.

THE GOI BACK IN THE DRIVERS SEAT

17. DURING THE MID- THROUGH LATE 1990S, INDEPENDENT
REGULATORS ASSUMED MANY OF THE POWERS PREVIOUSLY HELD BY

ACTION CIP-00

INFO	LOG-00	AID-00	CEA-01	CIAE-00	CTME-00	DODE-00	ITCE-00
SRPP-00	EB-00	EXME-00	EUR-00	E-00	UTED-00	VC-00	
FRB-00	H-01	TEDE-00	INR-00	ITC-01	LAB-01	L-00	
VCE-00	AC-01	NSAE-00	NSCE-00	OES-00	OMB-01	OPIC-01	
ACE-00	SP-00	IRM-00	SSO-00	SS-00	STR-00	TEST-00	
TRSE-00	USIE-00	EPAE-00	DRL-02	G-00	SAS-00	/009W	

P 211525Z JAN 03
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 7777
INFO USDOC WASHDC
USEU BRUSSELS 3066
FCC WASHDC
DEPT OF COMMERCE WASHDC
DEPT OF JUSTICE WASHDC
AMCONSUL MILAN
AMCONSUL NAPLES
AMCONSUL FLORENCE